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PANAMA CANAL TREATY NEGOTIATIONS

I. THE PROBLEM

President

In 1971 the/authorized a program of substantial change in our posture in the Canal Zone through revision of the Treaty of 1903. By several decisions you gave the negotiators broad authority to agree to changes in the exercise of jurisdiction in the Zone, duration of the treaty, land use in the Zone, arrangements for expanding canal capacity, and other matters.

Although in some instances all of what the President has authorized, and in others a substantial part thereof, has been offered to Panama, we have not made significant progress toward a new treaty. The lack of progress has contributed to tension in Panama as well as to frequent criticism by that country and by other nations of our "colonialist presence" and, to a lesser extent, of our military presence there. It is timely, therefore, to review this situation in order to determine how best to achieve a new, mutually satisfactory relationship, to minimize our vulnerability to international criticism, to avoid the emergence of a hostile posture on Panama's part, and at the same time to gain congressional acceptance of a new relationship with Panama. In this review we must bear in mind the objective of keeping the Canal always open, efficient, and available at reasonable cost to the

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II. THE NEGOTIATIONS

A. Their Current State

In the course of six months of intensive negotiations, the U.S. side had presented by December 1971 a comprehensive draft treaty offer which provided for the continuation of our rights to operate and defend the canal for an extended but specific period and which at the same time took cognizance of Panama's interest by returning to that country rights and properties we no longer required. A year elapsed before Panama replied, although Panama's negotiators had appeared to accept much of the U.S. position. During the interim, the Panamanian negotiators found that (a) General Torrijos was concentrating upon putting his domestic house in order (the "elections" of August 1972) and (b) Foreign Minister Tack and a number of his advisers believed that their negotiators' tentative concessions were too great and the U.S. offer too little. These hard-lining nationalists regarded as inadequate the 1967 draft agreements reached between representatives of previous Panamanian and U.S. governments and they insisted that a new treaty must reflect a substantial improvement over the earlier drafts.

When negotiations resumed in December 1972, it became evident that this nationalist stance had become government

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policy: Panama's counter offer proposed stringent curtailment of our operational and defense rights in the short run and their elimination altogether by the century's end. Our negotiators found no signs of flexibility in this retrograde Panamanian position. Thus we were at an impasse: the gap between the two positions on major issues -- duration of a new treaty, exercise of jurisdictional and defense rights in the Canal area, and U.S. options to expand canal capacity -- appeared all but unbridgeable (Tab A).

Concomitantly it became clear that Panama had decided to seek to wring concessions from the U.S. by marshalling international sympathy for its charge that the U.S. maintains a colonial enclave and excessive military presence on Panamanian territory. As a first step in this campaign, Panama publicly revealed the detailed negotiating positions of both parties, in violation of our mutual understanding to negotiate privately. In doing so Panama sought to demonstrate that failure to progress in the negotiations resulted from U.S. insistence upon thwarting Panama's aspiration to "perfect its independence" by ending U.S. colonialism.

Secondly, the hard-lining nationalists successfully maneuvered the United Nations Security Council into holding a session in Panama so that Panama's "cause" would receive worldwide attention. A majority of the participants, some of them otherwise friendly to the U.S., were critical of the extent of our military presence and of our exercise of perpetual

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extraterritoriality in the Canal Zone. Their attitude was reflected in their vote supporting a Panamanian resolution (only the UK abstained) which we were forced to veto since it recognized Panama's interests, but not ours. Although Panama did gain some sympathy abroad, U.S. public opinion -- another Panamanian target -- was generally unsympathetic to Panama's tactics. Nevertheless there is some possibility Panama will pursue its efforts in international fora, particularly at the next General Assembly where we cannot veto.

That the U.S. could effectively negate Panama's effort to obtain meaningful treaty concessions through international pressure was not lost upon the practical General Torrijos. Some intelligence reports indicate that he believes he was misled by Foreign Minister Tack and his coterie of nationalistic advisers, and that the entire UNSC adventure had brought no concrete results, only expenditure of scarce funds. Despite having gained some international sympathy for its cause the Panamanian government apparently has come to realize that its goals were not thereby advanced, and may have adopted a more conciliatory posture. It has turned down the volume of normal anti-U.S. invective in the media it controls. In early May, Foreign Minister Tack wrote to Ambassador Anderson in somewhat softer tones and hinted at some negotiating flexibility. Later that month in Buenos Aires Tack

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delivered a letter to Secretary Rogers in which he once again, in a seemingly conciliatory fashion, urged that detailed negotiations continue -- this time on the basis of a set of principles which restated the established Panamanian position.

B. Future Prospects

Panama has made clear its willingness to continue negotiations, and there are indications General Torrijos is taking a somewhat greater personal interest in the matter.

He has maintained that in order to achieve a new treaty two steps are essential: an agreement at a very high level between the two governments on the basic principles which would govern the new treaty relationship (after which the negotiators would work out the details), and the taking of unilateral measures by the U.S. which, by providing Panama with some rights and properties useful to it, would improve the negotiating atmosphere and enable Panama to become more flexible in its negotiating position.

Recently Panama furnished us with a list of principles, which essentially restate its position, to serve as a basis of negotiation. These principles mask the gap that

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separates us on critical issues, but they are of a generality such that there is much in them we can accept at the outset and we could attempt to negotiate the differences. (Tab B shows the differences between Panama's proposed principles and those the USC believes are acceptable). It is possible that in probing Panama's position, using the set of principles as an instrumentality, we can learn whether Panama is truly moving toward a more flexible negotiating position.

In assessing the state of negotiations in March of this year, Special National Intelligence 84-73 (SNIE) addressed two significant issues:

1. What are Panama's minimum requirements for a treaty?
2. What course of action might Panama follow if frustrated in its efforts to secure such a treaty?

As to the first question the SNIE stated (p. 8):

"Though there are many unpredictables, this much is clear: there could be no accord without appreciable movement by both sides (emphasis added) on the central issues of jurisdiction and duration."

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As applied to the U.S. position, this means that we cannot expect to achieve a treaty in the near future on the basis of a 50-year duration plus a sea-level Canal and third-locks option and of a jurisdictional phase-out over a 15 year period. On the Panamanian side, this means that their refusal to give up their insistence on a treaty of no more than 25 years duration, and on full Panamanian jurisdiction in the Zone within 5 years, would put an end to the chances for a treaty acceptable to us in the foreseeable future.

It may well be that a treaty can be negotiated somewhere in the middle ground between the positions, but we cannot be certain.

If we decide that we cannot accomplish some change in the status quo in the Zone, we will be faced with increasingly difficult choices. The status quo would be costly to maintain -- in terms of our position in Latin America where the nature of our presence in Panama seems to contradict the essence of the President's policy of partnership; in terms of international opposition to our position; and in terms of our domestic position if Panamanian agitation leads to violence.

Clearly the achievement of a relationship satisfactory to both sides over at least the near term should be the primary objective. Preferably this would be achieved by a new treaty. But such a treaty will definitely require

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concessions on both sides. On ours, some concessions that Panama might demand for a treaty would adversely affect to some degree our ability to operate and defend the Canal on an optimum basis. But failure to achieve a new substantive change in the status quo over the longer term would potentially erode even more severely our ability to maintain adequate control over Canal operation and defense except at an unacceptable international cost. For this reason, this paper considers changes in the relationship through non-treaty means.

As to the second question, the SNIE stated (p. 7) that if the U.S. offer is unchanged and there are no new

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initiatives or concessions the following would apply:

"If Torrijos comes to believe over the coming months that the offer made by the U.S. in February 1973 is final, he could be expected to react strongly. He might first make further attempts to mobilize international support against the U.S. but he would realize before long that the endeavor was not promising. He would then turn to cruder tactics at home (of the sort he has recently told foreign visitors he would have to consider). Probably he would devise some carefully-controlled demonstrative incident, e.g., the occupation of a Canal Zone facility. Such a move could readily trigger more drastic actions, deliberate or not. Even if he intended to avoid direct provocation to the U.S., the chances for spontaneous violence in the heightened nationalist atmosphere would be appreciable. The resulting tensions could bring a point of crisis and give the U.S. little choice but to persist in confrontation rather than be pushed by these tactics into a new phase of negotiations."

If there are no new U.S. concessions on central issues but some offers of ad hoc accommodation on secondary ones, the SNIE stated,

"Torrijos would probably be quite receptive to such U.S. ad hoc offers at first: by accepting them, he could show the Panamanians that he was making

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visible, if not very significant, gains. He would also recognize that in this way he might be getting something free that the U.S. could otherwise have used for bargaining purposes. And for a while he would probably temper his anti-U.S. propaganda and perhaps his nationalist appeals. Nonetheless, sooner or later, he would likely become convinced that the U.S. was trying to divert him indefinitely from insisting on settlement of the basic issues. And he would then swing back to pressure moves...."

In sum, the treaty position between the two governments diverge significantly; there are some hints of flexibility on the Panamanian side that require further probing; but we are in for a long process during which we can expect a considerable amount of international criticism to which we are vulnerable, and during which tensions will probably mount in Panama.

C. Congressional Attitudes

Members of the Congress who oppose any alteration of the existing relationship in Panama's favor appear limited in number but are vocal and influential. There are virtually no announced supporters of such an alteration.

The opponents believe that the Canal is crucial to the well-being of our economy and to our national security;

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that we cannot count on Panamanian governments always being stable enough -- or politically inclined -- to guarantee the uninterrupted passage of our commercial and military vessels through the waterway; and that interruptions would occur were we to return to Panama any of the treaty rights now possessed in perpetuity and especially the right to act as if sovereign in the Zone. They argue that the world's seafaring nations expect the U.S. to continue the efficient operation of the Canal at low tolls, and that Panama should be led to understand its economy would falter in the absence of it. They also argue that our construction of the Canal and impeccable stewardship over it for 70 years constitute a national pride which the American people will not permit to be tarnished. They would have the U.S. pay no heed to international criticism of our ^{purportedly} colonialist presence in the Canal Zone and not hesitate to defend that presence against any Panamanian incursion.

Opposition in the Senate is theoretically the primary source of concern to the Executive since it must ratify any treaty, but in practice the opposition in the House is equally of concern, and possibly more so, since opponents there are more strident and numerous than those in the Senate, and since implementation of any treaty would require legislation requiring approval by both chambers, some of it initiated in the House. Moreover it is through

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a Committee of the House (Merchant Marine and Fisheries) that the Congress has assumed the role of overseer of the American stewardship of the Canal, and its Chairwoman is adamantly opposed to change in the status quo of the Zone. In addition the House has sought to exert primacy within the Congress in matters involving the disposition of American territory, which the opponents consider the Canal Zone to be. In each session as many as 100 resolutions are introduced, although never pressed to a vote, by House members which call on the Executive to refrain from negotiating away sovereign U.S. rights in the Zone.

As for the Senate, when the U.S. negotiators consulted each member in 1967 on the three draft treaties agreed upon in that year with the Panamanian negotiators they received assurances of support from well over a two-thirds majority. It is important to note, however, that such support may in part have derived from the fact that those drafts provided for U.S. control over the waterway for a very extended period of time. During that consultation 16 senators including 9 on the Armed Services Committee indicated opposition to any diminution of U.S. treaty rights.

In the years since that consultation there have been important changes in the Senate lineup and indications are that the views of key members may be more cautious.

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The Senate Foreign Relations Committee, however, has traditionally taken a more sympathetic view of treaty negotiations than its counterpart in the House.

Five committees in both chambers can claim a legitimate interest in negotiations and any new treaty concluded -- foreign affairs, armed forces, commerce, merchant marine and appropriations.

The opponents reflect a mix of private American opinion. Veterans organizations and many individual members of the Armed Forces, both active and retired, having served in Panama believe U.S. security depends significantly on unimpaired U.S. control of the Canal. Most of the 40,000 U.S. citizens living in the Zone, together with many of their relatives and friends in the U.S. oppose any change in the status quo. American shipping companies and merchant houses fear any change would cause an increase in Canal tolls and could cause an interruption in Canal service. Patriotic groups such as the Daughters of the American Revolution insist that U.S. sovereignty in the Canal Zone must not be lessened, as do groups such as the Scouts and the Boys-Girls Nation. Free-trade advocates argue that only the U.S. can keep the Canal always open for international commerce. Labor unions which have organized or hoped to organize in the Zone fear that any decline in the U.S. presence would cause a reduction in numbers of job opportunities, pay rates and fringe benefits,

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and they are represented effectively by the AFL-CIO leadership in Washington. Elements of the American media, conservative political groupings and some state legislatures also seek maintenance of the status quo in Panama.

Private and congressional opposition tends to be sustained, perhaps invigorated, by developments in Panama. News coverage in this country when a U.S. owned company was threatened with expropriation by the Panamanian Government last year led the opponents to charge that this was an act of irresponsibility indicative of the manner in which Panama would operate the Canal were the waterway to be entrusted to it. The UN Security Council meeting which the Panamanian Government arranged in its capital city last March provided a similar opportunity for charges of Panamanian irresponsibility. Moreover that meeting led some members of the Congress, not previously identified with the opposition, to resent the U.S. having been pressured in an unseemly fashion and to doubt Panama's good faith in the negotiations.

Since the pace of negotiation has been slow and the results negligible, we have not needed to test the strength of congressional opposition in any systematic way over the past two years. Such consultations as were held left no clear indications of congressional sentiment. Hence we cannot at this time judge how far the U.S.

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negotiators could move in the direction of modernizing the relationship between the two countries without risking some exhilaration of congressional opposition which, at the extreme, might conceivably lead to rejection of a treaty or failure to implement it.

Some observers believe the opposition has grown in quality and quantity since Panama adopted confrontation tactics, and that a major effort on the Administration's part would be required to move a treaty through the Congress. Other observers believe that the opposition continues to be confined to a number of congressional members not large enough to prevent ratification or implementation, although a strong Administrative effort would be required. Whatever the case, with a treaty as important and provocative as the Panama one the temper of the Congress with respect to it will depend notably on the timing of the presentation of any new treaty. For example, members of the Congress might not wish to have the Canal issue before them in close proximity to the 1974 congressional elections.

As we enter another phase of the negotiations with a new U.S. negotiator, fresh consultations with the Congress will be appropriate. In order to test the views of the members as rigorously as possible he should avoid generalities and query them on specific, though necessarily hypothetical, proposals which the U.S. has presented or might in the future present to the Panamanians on each major treaty issue. Unfortunately he will likely

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find that many of the members apart from the hard-core opponents, even if persuaded the U.S. is protecting vital U.S. interests in the negotiations, will be reluctant to make any judgments until they can examine a draft treaty. Consultations at a point when there is a draft treaty, however, might be too late, for we could discover inadequate sympathy for its terms to risk presenting it for ratification and implementation.

Thus a consultative process which not only tests the congressional temper but also begins to shape the thinking of key congressional member is indicated. It is a matter of convincing them that the present relationship is outmoded, and that by returning to Panama rights and properties we no longer require we can modernize the relationship yet still be able to enjoy our essential rights and properties for an extended period. It is also a matter of refuting the hard-core opponents' argument that we need to exercise full sovereignty in the Canal Zone in order to retain effective control over the operation and defense of the Canal. Building over time a bi-partisan cadre of active supporters in both houses should be a primary task of the new negotiator. That process will require the participation of the U.S. agencies vitally concerned with the Canal Zone.

It would also seem useful for the new negotiator to lead an inter-agency effort to build support for a

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modernized treaty relationship among influential groups in the private sector, which could in turn lobby with the Congress.

III. ALTERNATIVE OPTIONS FOR THE U.S.

The following options represent two basic courses of action that might be followed in carrying out the process of change in our operations in the Canal Zone to which our negotiations have looked. One course of action is represented by Option A and the other, in three variations, by Options B, C., and D.

Under the first course (Option A) a decision would be made to press forward toward a greement on a treaty with the recognition that substantially greater

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concessions will probably be necessary. The second course of action (Options B, C, or D) would call for maintaining the U.S. offer within guidelines that you have previously established, but, ^{in the case of Options C and D,} taking executive and legislative action to work changes in our Panama operations that will be helpful in limiting U.S. Panamanian tensions somewhat and in reducing international criticism of our "colonialist presence." The difference between Options B, C and D is one of degree. Options B and C are designed to limit criticism in Congress and would make no real change in the status quo in the Zone. Option D would make such a change, by implementing a moderate portion of the broader changes already approved by you for the treaty negotiations and already offered to Panama.

It would be intended that the approved executive and congressional unilateral actions would be available to the U.S. negotiators for use at such times and in such ways as ^{they} consider beneficial to the course of negotiations.

We have ruled out as viable options the possibility of attempting to force Panama into a settlement on our terms through economic sanctions and of attempting to attract Panama into such a settlement through large-scale economic largesse.

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A. Continue as at present to negotiate seriously, with a view to determining over the next several months what changes in our offer would result in settlement. Also continue our forthcoming attitude on non-treaty related matters such as economic and military assistance.

In addition make unilateral changes designed to improve the negotiating atmosphere which do not require congressional approval. Over the course of several months of probing, change the existing offer in order to reach a settlement, within limits set forth in paragraphs 1-6 below.

The general premise of this option is that we have no reason to expect a settlement along the general lines of what we have offered to date. On the other hand, no one can predict with any great precision at this time what would be necessary to settle with Panama. An estimate in general terms of what might be required to settle, however, is possible. The principal elements of such a change in the offer are as follows:

1. Expansion -- We would have to give up our request for definitive options and agree to negotiate the question of whether and how the expansion should be done at the time construction of third locks or a sea level canal would need to begin -- probably about 1980-1985.

2. Duration -- The treaty would have to terminate by / approximately 2015, but U.S. tenure could be extended if the negotiations referred to in paragraph 1 were successful.

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3. Jurisdiction -- The phaseout of jurisdiction would have to be faster than offered to date and our ability to retain control-related jurisdictional rights would be limited. We could probably retain the power to prevent Panama from exercising jurisdiction over canal shipping but would have to limit severely, or even terminate, the activities of U.S. courts.

4. Payment -- The royalty would have to be increased from the \$25 million level to the \$35-40 million area.

5. Land -- Much more substantial use and control of Zone land by Panama would be necessary.

There would have to be

6. Defense -- some willingness on our part to accept limitations on the nature and extent of U.S. military activities in the Zone, with a need for considerable language in the treaty about Panamanian defense responsibility, consultation between the U.S. and Panama, etc..

The major changes in the U.S. offer set forth above should not be made without the U.S. negotiators, in consultation with the congressional relations staff of the White House and the Departments of State and Defense, having reasonably sound assurances from key members of the Congress that the Congress would agree to such a treaty.

Advantages:

(1) Would greatly increase the chances of negotiation of a new treaty.

(2) Would replace the 1903 treaty with a new treaty

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much more easily defended against Panamanian and world criticism.

(3) Would make the U.S. less susceptible to international criticism were forceful action ever required to defend our Canal interests, since we would be defending not antiquated 1903 rights but rights recently granted by a new treaty.

(4) Would give greater credibility to U.S. Latin American policy by demonstrating implementation of the "Mature partnership" policy in a difficult case.

(5) Would provide us a stable relationship with Panama for an extended period.

Disadvantages:

1. Would reduce the period of time the U.S. would control the canal to a period substantially less than approved in 1971.

2. Might necessitate the abandonment of the U.S. effort to get definitive options to build a sea level canal or third lane of locks and require a later U.S. effort to negotiate such rights should they later be desired.

3. Might result in a jurisdictional transfer that is too rapid and pervasive in the view of Zone residents.

4. Might call for larger payment to Panama than could be financed from a toll increase.

5. Could cause the U.S. inconveniences regarding land use and complicate significantly our canal operations.

6. Would limit defense flexibility to some extent.

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- B. Continue as at present to negotiate seriously, without making any changes in our existing treaty offer, not authorized by present guidelines.
Also continue our forthcoming attitude on non-treaty related matters such as economic and military assistance.

By selecting this option we would have decided that Torrijos is testing the firmness of our negotiating position and that eventually, once we have made a few more minor concessions and he is convinced he can do no better, he will decide that something for his people is better than nothing and settle on terms only slightly more favorable to Panama than those we now offer. We would also have decided that we would accept the risk of an outbreak of Panamanian hostility against the Zone due to frustration over lack of progress.

Advantages:

- (1) Would safeguard for the time being our essential rights and properties.
- (2) Would divest us of no major bargaining chips in the negotiating process.
- (3) Might lessen over the short run the conceivable risk of hostility emerging in Panama as a result of our forthcoming attitude on non-treaty related matters.
- (4) Would be within our estimation of what the Congress would accept.

Disadvantages:

- (1) Would be based on the very slight prospect that

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Torrijos would conclude a treaty not incorporating some major U.S. concessions.

(2) Would over time raise the risk of forceful action against the U.S. presence on the part of Panama.

(3) Would not reduce our vulnerability to world criticism.

C. Continue as at present to negotiate seriously, without making any changes in our existing treaty offer. not authorized by present guidelines.
Also continue our forthcoming attitude on non-treaty related matters, and proceed to make unilateral changes to improve the negotiating atmosphere which do not require congressional approval. In addition, propose to the Congress a selected group of unilateral actions which would be of a non-controversial nature and would not notably alter the status quo in the Canal Zone.

This option is based on the premise that despite Panama's apparently hard position at present, it may later alter its views and accept a treaty along the lines that we have proposed. Such an alteration would be more likely to occur if unilateral concessions to produce some of the overdue changes in the Canal Zone were made, and therefore they should be undertaken. These actions would also serve to reduce Panamanian tensions and our vulnerability to international criticism. However, actions which would excite opposition in Congress should not be undertaken in view of the desire to hold ourselves in readiness for a treaty

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submission to Congress.

Two categories of unilateral actions are proposed under this option:

(1) Those listed in this report that can be accomplished by Executive action (less IV C 23, 24 and 25), and

(2) Those measures listed in the report requiring congressional action which are not expected to encounter serious congressional opposition (IV B 5, 15, 16 and 17),

None of the proposed actions go beyond what we have already offered or been prepared to offer in the negotiations, nor do they represent a large enough portion of our total treaty offer to impair our negotiating position or our ability to continue operating and defending the canal.

Advantages:

(1) Might produce, through skillful use of unilateral actions during the negotiations process, progress toward a settlement safeguarding all our essential prerogatives and thus maximizing chances for Senate ratification.

(2) Would preserve all of our major bargaining chips.

(3) Would avoid wide-spread, serious congressional focus on and debate over the canal issue.

(4) Might relieve Panamanian tensions and help preclude a potentially hostile posture.

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(5) Would to some degree improve our international posture.

Disadvantages:

- (1) Might not be sufficient to reach an agreement.
- (2) Would stimulate criticism from a numerically limited but vocal group of members of the Congress opposed to any treaty alteration of our presence in Panama.
- (3) Would basically retain the status quo in the Canal Zone by leaving unaffected jurisdiction, land, perpetuity, the annuity, etc.
- (4) Would give up some of our bargaining chips.
- (5) Might cause some morale problems among the personnel of the Canal Company and Zone government.
- (6) Might, if handled improperly, make Panama feel that the U.S. is not serious about the negotiations.

D. Continue as at present to negotiate seriously, without making any changes in our existing treaty offer not authorized by present guidelines. Also continue our forthcoming attitude on non-treaty related matters and proceed to make the unilateral changes specified under Option C. In addition, develop a program of unilateral actions from those already offered to Panama in the negotiations (as more specifically set forth below) which, although in some measure controversial, would change the status quo in the Zone,

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but in a way consistent with our operation and control objectives.

Our treaty efforts have been carried out with the idea that our tenure in Panama can be put on a sounder basis if we modernize our relationship with Panama. However, our assessments now indicate that if the US offer is not altered substantially the likelihood of our achieving a prompt modernization of our relationship with Panama through a new treaty is limited. Option D does not call for a substantial change in the US offer but instead specifies a program to bring about a modest portion of the change presently contemplated by our treaty offer. Modest though it would be, it would still generate some opposition in Congress, though by no means as much as the treaty itself. On the other hand it would go further toward depriving the Zone of its character, as a "colonial enclave" than less controversial plans and correspondingly increase the benefits that flow from modernization.

The unilateral actions called for by this option would include those listed under Option C. But they would go farther, with provisions for allowing Panamanian law to apply in the Zone to some matters not essential to operation and control, wider Panamanian use of Zone land, and an increase in the annuity. The specific items are listed as items 26, 27 and 28 under part IV of this paper.

Advantages:

(1) Would demonstrate to Panama and the world that the US is willing to modernize its Panama operations and give due weight to Panama's legitimate aspirations.

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(2) Would take some of the force out of criticism of ^{the} US posture in Panama, giving US tenure a more easily defended basis.

(3) Would alleviate to some degree Panamanian tension resulting from political pressures for change.

(4) Would preserve for the US its principal bargaining chips for treaty negotiations.

Disadvantages:

(1) Would not be likely to lead to treaty agreement.

(2) Would stimulate criticism from a numerically limited but vocal group of members of the Congress opposed to any alteration of our presence in Panama.

(3) Would give up some of our less important bargaining chips.

(4) Might cause some morale problems among the personnel of the Canal Company and Zone government.

(5) Might, if handled improperly, make Panama feel that the US is not serious about the negotiations.

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IV. THE NATURE OF UNILATERAL U.S. ACTIONS

In the Options A and C the possibility of Executive and congressional unilateral U.S. actions which would not significantly affect the status quo in the Canal Zone is envisaged. These actions, numbered 1 through 25 in what follows, fall broadly into three categories: actions related to acknowledgment of Panamanian sovereignty; actions related to U.S. operations in the Zone, and actions related to the U.S. military presence in the Zone.

Option D envisages actions (nos. 26, 27 and 28), each requiring legislation, which would change the status quo in the Zone.

It is important to note that in the case of the Executive actions contemplated in Options A and C, some would require agreement with the Government of Panama, and some would be difficult of implementation unless the Government were to agree to operate under existing U.S. legislation.

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